

## FCWG 2018-19 Learning Exchange Series: Sarah Wescott, Climate Action Reserve Q+A

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### Voluntary market - What's the cost to get enrolled? also what's the minimum commitment period? does carbon credit expire if one is not able to sell?

The costs to undertake a project fall into three main categories: inventory/project development, verification, and registry fees. Inventory costs will depend on the number of plots, but a rough estimate would be \$150-175 per plot. Aggregation is an option in our voluntary program which can help reduce inventory costs, by changing the target sampling error for individual projects based on the number of projects participating in the aggregate.

Project development costs will also depend on whether the project is developed in-house or using a consultant or project development firm. Incorporating aspects like our Standardized Inventory Methodology, CARIT, and the standardized baseline option in the Forest Project Protocol version 5.0 should help keep these costs lower. Project maintenance costs will also vary depending on whether the project uses consultants or keeps project development in-house. However, it's important to consider the time and effort involved in generating annual reports. The required site visit verification (during year one, and every six years thereafter) will likely be at least \$20,000-25,000 for the voluntary program, and optional desk review verifications in between are less (closer to \$5,000). Aggregation, and other provisions in our

protocol, reduce the need for site visit verifications, which can also reduce the cost of verification. There are also registry fees involved in enrolling a project (a \$500 listing fee, a \$500 annual account maintenance fee, and a credit issuance fee of \$0.19/CRT).

The crediting period for a forest project under our voluntary program is 100 years; we also require projects to monitor for 100 years following the final credit issuance, to ensure that all emission reductions that have been verified are permanent (meaning that the CO<sub>2</sub> has been held out of the atmosphere for 100 years, and that – if not – any reversals are properly accounted for). Offset credits never expire and will remain in the project owner’s account in perpetuity, until they are sold and transferred to another account.

**Can you provide any updates on the status of the Tropical Forest Standard?**

Unfortunately, we don’t have any updates on the status of the Tropical Forest Standard beyond what ARB has made available on their website:

<https://ww3.arb.ca.gov/cc/ghgsectors/tropicalforests.htm>.

**Do any of the methodologies allow for an IPCC tier data availability approach, also to reduce time and costs? e.g. default values.**

Our forest protocol does not currently allow for use of IPCC tier data. We are working on incorporating more default values into some of our methodologies, though. Our latest Urban Forest Management protocol incorporates default values, and our upcoming Reforestation methodology for our Climate Forward program will rely on default values as well. When that methodology is finalized, it will be available at: <https://climateforward.org/>.

**Any news if CORSIA will accept CDM offsets?**

The International Civil Aviation Organization (ICAO) is in the process of taking applications for different programs and credits to potentially be accepted for use under CORSIA. We won’t know if CORSIA will accept CDM credits until they have reviewed and made determinations on the applications being submitted. In March the ICAO Council formed a Technical Advisory Body (TAB), composed of 19 experts from ICAO member states. The first round of program applications to the TAB are due July 12, and public comment on those applications is expected around August or September. The first round of program approval recommendations will be considered by the ICAO Council in March 2020. If the CDM Executive Board decides to apply for approval, we should find out during the public comment period.

**Have you conducted an analysis of the potential influence of CORSIA on the credit prices for IFM projects on the voluntary market?**

We haven't – until we have better information about which credits will be accepted for CORSIA, it will be hard to determine the potential price impact. This will depend in large part on how many and which offset programs are approved for CORSIA. If approvals are limited, prices will likely go higher. If they cast a wide net, including programs such as the CDM, there could be more than enough supply to meet demand. In addition, we may not know pricing impacts for some time, given that the initial compliance retirements may not occur until 2022-2023.

**What if you already have offsets deals (ERPAs) directly with airlines over 5 years? Will CORSIA affect those deals?**

That depends on two things: 1) why do the airlines want those credits? If they want them for voluntary purposes, CORSIA will have zero impact. 2) are those credits going to be qualified for CORSIA? If those credits are able to be qualified for CORSIA, then the airline will have the option to use them for compliance. If they are not able to be qualified for CORSIA, the airline will only be able to use them for voluntary purposes (in which case, see part 1 of this answer).

**To what extent are you seeing aggregated IFM projects in response to the barriers for entry?**

We have been seeing a renewed interest in our aggregation methodology, which is available for our voluntary program. This has been true of reforestation projects, as well, which face similar barriers to entry. There has also been consistent interest in aggregation under the compliance offset program. While that program doesn't have a formal aggregation process, it's something we have advocated for (through public comment letters we have submitted to them during recent revisions to the Cap-and-Trade Regulation). The compliance offset program does allow for quasi aggregation, in that multiple landowners can band together to form a single project. This creates more complications than standard aggregation, in that those landowners would need to carefully manage legal arrangements for any liabilities existing in managing the project. However, we have seen a couple of those types of projects start to pop up in the compliance market, so there does seem to be some interest in that approach to addressing the high acreage threshold for compliance projects.

**Do you have some estimates of tons per year per acre or hectare by forest type and possibly project type?**

Tonnes per acre per year can be highly variable, depending on forest type, starting condition of the forest, and project management practices (to name a few). However, this is something that can be calculated based on the publicly available project information on our registry: <https://thereserve2.apx.com/>. It's also important

to note that IFM projects can receive credits for starting out above their baseline, based on emissions avoidance, which may result in a larger quantity of credits being issued in year one, and are not necessarily representative of ongoing annual credit issuances. Avoided conversion project crediting is also variable depending on the type of alternative land use being avoided, which impact conversion rates and the financial considerations of the conversion. Reforestation projects also vary based on the factors noted above; none of our reforestation projects have yet matured to the point of receiving credits.

To give a couple IFM examples – one project in a redwood/Douglas Fir forest in CA has received about 16 credits per acre in the first year, and about 5 credits per acre per year thereafter. Another project in the northeast, consisting primarily of hemlock and northern hardwoods, received about 11 credits per acre in the first year, and about 3 credits per acre per year thereafter. Again, though, this can be highly variable depending on project conditions, so your mileage may vary.

**Are CARIT and SBT available for free to the public?**

Yes – our published tools are available on our main forest protocol webpage: <http://www.climateactionreserve.org/how/protocols/forest/>. The Standardized Baseline Tool is currently in a “beta” version, since the Forest Project Protocol version 5.0 draft is still undergoing public comment and revisions. You can find that version here: <http://www.climateactionreserve.org/how/protocols/forest/revisions/>.

CARIT is not yet available for download. We hope to have that available in the next couple of months, and it will also be available for free on our main forest protocol webpage linked above.

**Do these tools have the potential to estimate avoided deforestation by deforestation rate?**

We currently don't have any tools to estimate avoided deforestation.